

**SUMMARY OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
EXTERNAL AFFAIRS COMMITTEE**

**HELD ON
Friday, April 7, 2006
10 a.m., MST**

The External Affairs Committee (EAC) of the Arizona State Retirement System (ASRS) met in regular session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, AZ, 85012. Mr. Jaime Gutierrez, Chairperson, called the meeting to order at 10 a.m.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona, 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Jaime Gutierrez, Chairperson - Teleconferenced
Dr. Keith Meredith - Teleconferenced
Mr. Christopher Harris – Teleconferenced

Excused: Mr. Steven Zeman, Vice-Chairperson

A quorum of the Committee was present for the purpose of conducting business.

2. Approval of Minutes of the March 3, 2006 EAC Meeting

Mr. Harris moved that the External Affairs Committee approve the minutes of the March 3, 2006 EAC meeting.

Dr. Meredith seconded the motion.

The motion passed unanimously.

3. Presentation, Discussion, and Appropriate Action Regarding Legislation for the 2006 Legislative Session Relating to the ASRS. Mr. Patrick Klein, Assistant Director, External Affairs and Ms. Shirley Gunther, ASRS Government Relations Officer presented handouts and discussed the status of legislation submitted by the ASRS for the 2006 Legislative Session. Legislation included:

- 1) **HB 2101** ASRS Terminated Employees; Contribution Refunds – Fin DPA 3/23/06
- 2) **HB 2103** ASRS Local Termination Incentive Program – **Signed by Governor 4/12/06**
- 3) ~~**HB 2104** ASRS Retiree Health Care – DEAD~~
- 4) **HB 2105** ASRS Investment Management Qualifications – **Plan to amend to SB 1359**

- 5) **HB 2340** ASRS Deferred Retirement; Repeal – Signed by Governor on 3/24/06
- 6) **SB 1167** ASRS Optional Forms of Retirement – Approp 3/28/06 DPA

Dr. Robert T. Letson, retiree, addressed the committee from the Tucson office regarding his concerns about SB 1167 and the Pop Up/ Pop Down issues raised in his earlier email communications on April 4, 2006 with Mr. Klein, Mr. Gutierrez and Mr. Paul Matson. The amendment adopted by the House Appropriations Committee on Tuesday, in Dr. Letson's opinion, corrected the issues with regard to the designation of a beneficiary for those selecting the period certain option and the inclusion of the expiration of the retiree's period certain term as one of the conditions for rescinding the period certain option.

Dr. Letson stated that SB 1167 is poorly written and needs additional work. Dr. Letson added that the amendment did not address one key issue, the fiduciary responsibility of the Board to treat groups of Plan members equally. There remains one group of individuals who are denied the opportunity to rescind the period certain decision. He referred to those who retired before August, 2001.

Dr. Letson's general comments included that the pop-up pop-down provisions of the present statute and proposed amendment should be provided to all persons who have chosen one of the Survivor Options, whether previously retired or yet to retire.

He also noted that the Pop Up/ Pop Down provisions with respect to the period certain option are provided only to those retiring after August 9, 2001, thereby, excluding earlier retirees.

His proposal is to strike the words, "who retires after August 9, 2001" from the adopted House Appropriations Committee amendment.

Mr. Harris addressed Dr. Letson's issue of fiduciary responsibility of the Board to all members. Mr. Harris stated that protecting the health of the Plan is the Board's number one priority.

Dr. Meredith agreed by restating that the Board's responsibility is to the continued health of the ASRS Fund.

Mr. Thomas McClory, Assistant Attorney General, added that ASRS statutes contain multiple instances of disparate treatment of members. However, those who fall into those categories are deemed to have received fair and equal treatment. How the Board rules or makes decisions is fundamentally circumscribed by Statute. The definition of equal may be different for each member depending upon when they joined or retired and which statutes or programs were in effect at the time.

Dr. Meredith stated the 3 of the 4 issues that Dr. Letson had brought forward had been addressed. It was the unanimous feeling of the EAC members that the legislation should go forward in its present form.

Mr. McClory added that the ASRS must be compliant with the Internal Revenue Code and the expansion of Pop Up/Pop Down choices increased the risk of losing the Pop Up/Pop Down election altogether.

Dr. Letson asked that a draft of the EAC minutes of this meeting be emailed to him before the EAC committee meets again in May.

- 7) **SB 1168** ASRS Federal Conforming Changes (Minimum Distribution Requirements, USERRA, Period Certain Beneficiary, Interest Rate) – **Transmit to Gov 4/11/06**
 - 8) **SB 1169** ASRS LTD Program; Offsets – Held to 2007
5. **Presentation, Discussion, and Appropriate Action Regarding Other Introduced Legislation for the 2006 Legislative Session Relating to the ASRS.** Mr. Klein and Ms. Gunther presented other Legislation and Public Policy Issues Relating to the Business of the ASRS submitted by other parties during the 2006 Legislative Session. The majority of these bills are listed because they may have an effect on operations of the ASRS as a State Agency.
- a) **HB 2082** ASRS Benefit Elections, Spousal Notification- **4/12/06 Signed by Governor**
 - b) **HB 2113** S/E Now: PSPRS; CORP; EORP; Continuation – **4/11/06 Transmit to Governor**
 - c) **HB 2163** La Paz; Transferring Credited Service- **Third Read on 4/13/06**
 - e) ~~**HB 2244** Social Security Numbers; Government Requests – **Dead**~~
 - d) ~~**HB 2335** ASRS Return to Work Requirement – **S/E ASRS Continuation of Agency**~~
 - e) ~~**HB 2390** ASRS Retirees; Graded Multiplier Increase – **Dead**~~
 - f) ~~**HB 2476** State Retirees; Health Insurance Payments – **ADOA only – Dead**~~
 - g) ~~**HB 2482** CORP; Return to Work – Not applicable to ASRS~~
 - h) ~~**HB 2604** Treasurer's Risk Report; Technical Correction (same as HB 2402) – **Dead**~~
 - i) **HB 2661** State Employees; Pay Increase (same as SB 1202) **Signed**
 - j) ~~**HB 2845** ASRS; LTD Benefit Increase 3.5% permanent **Withdrawn**~~
 - k) **SB 1142** CORP; Membership Expansion – **4/4/06 Caucus**
 - l) **SB 1228** CORP; Reverse Deferred Retirement Plan – **3/22/06 Second Read**
 - m) ~~**SB 1246** Treasury Monies; Investment – **Dead**~~
 - n) ~~**SB 1262** Tech Correction; Political Subdivision – **Dead**~~
 - o) ~~**SB 1263** Tech Correction; Global Risk S/E – **AZ Global Network Project Fund**~~
 - p) **SB 1359** Public Retirement Plans; amendments – **4/3/06 Held**
6. **Future EAC Agenda Items** Mr. Jaime Gutierrez
- 1.) The next EAC will be Friday, May 5, 2006 at 10 a.m.
 - 2.) Continued discussion of the ASRS bills and other related bills.
 - 3.) Proposed Rules
7. **Call to the Public** Mr. Jaime Gutierrez
- There were no comments from the public.

8. Adjournment of the ASRS External Affairs Committee

Dr. Meredith moved that the External Affairs Committee adjourn.

Mr. Harris seconded the motion.

The motion passed unanimously

Mr. Jaime Gutierrez, Chairperson of the EAC adjourned the April 7, 2006 meeting at 11:05 a.m.

Respectfully Submitted by,

Michelle Fink
Committee Secretary

Date _____

Patrick M. Klein
Assistant Director, External Affairs